

Revisions to Budget Process Timetable

(For Fiscal Years 1987-1991)

Action	Old Law	New Law
President submits budget request	End of January	First Monday after January 3 ¹
Congressional Budget Office (CBO) reports to Budget committees	April 1	February 15
Committees submit reports and estimates to Budget committees	March 15	February 25
Senate Budget Committee reports budget resolution to floor	April 15 ²	April 1
Congress completes action on budget resolution	May 15 ³ , September 15 ⁴	April 15
House Appropriations Committee reports last regular appropriations bill	—	June 10
Congress completes action on reconciliation bill	September 25	June 15
House completes action on regular appropriations bills	Seventh day after Labor Day ⁴	June 30
"Snapshot" of projected deficit taken by CBO and Office of Management and Budget (OMB)	—	August 15
CBO and OMB report to General Accounting Office (GAO) on deficit and the shape of the so-called sequester order making automatic spending cuts to achieve deficit targets	—	August 20
GAO forwards deficit and sequester report to president	—	August 25
President issues sequester order based on GAO report	—	September 1
Sequester order takes effect	—	October 1
Fiscal year begins	October 1	October 1
CBO and OMB issue revised reports reflecting additional congressional action after earlier reports	—	October 5
GAO issues revised report to the president	—	October 10
Final sequester order, based on revised report, becomes effective	—	October 15
GAO issues compliance report on sequester order	—	November 15

¹ President's budget for fiscal 1987 is due February 5, 1986

² Current law deadline for Budget committees in both houses to report budget resolutions

³ Current law deadline for first budget resolution

⁴ Current law deadline for second, binding budget resolution

⁵ Current law deadline for Congress to complete regular appropriations bills

Timetable for Fiscal 1986

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GAO issues compliance report on sequester order	April 1

Budget Functions - VI-6

Functional Classifications

050	National Defense	So's cut in G/R bill
150	International Affairs	
250	General Science, Space and Technology	
270	Energy	
300	Natural Resources and Environment	
350	Agriculture	
370	Commerce and Housing Credit	
400	Transportation	
450	Community and Regional Development	
500	Education, Training, Employment and Social Services	
550	Health	
570	Medical Insurance	
600	Income Security	OUT OF IN G/R BILL For 2001-2003
650	Social Security	Pres. and Congress
700	Veterans Benefits and Services	
750	Administration of Justice	For 2001-2003
800	General Government	
850	General Purpose Fiscal Assistance	
900	Net Interest	
920	Allowances	
950	Undistributed Offsetting Receipts	

2 Functions in Budget

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BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985**SUMMARY OF PROPOSED CONFERENCE AGREEMENT**

An automatic deficit reduction procedure would be established for FY 1986 through FY 1991, when the deficit would reach zero. The deficit targets for each fiscal year would be as follows:

FY 86: \$171.9 billion

FY 87: \$144 billion

FY 88: \$108 billion

FY 89: \$72 billion

FY 90: \$36 billion

FY 91: Zero

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In the event that the deficit is anticipated to exceed the required levels for any fiscal year, the automatic procedure would be used to achieve across the board reductions in the Federal budget.

1. Trigger Mechanism

The Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) would submit a report to the General Accounting Office (GAO). This report would estimate the deficit for the fiscal year and the amount by which the deficit exceeds the level specified above. In the event that the automatic deficit reduction procedure (known as sequestration) is required, both the CBO/OMB and GAO reports would identify the specific budget authority and all other factors (COLA amounts, outlay reductions in the case of direct spending programs, direct loan obligations, etc.) to be sequestered and which are required for the President to write the order at the appropriation account level.

The CBO/OMB report would contain all of the information needed to prepare the Presidential order and, in essence, would constitute a draft order. GAO would review the report provided by CBO and OMB and, with due regard for these findings, would prepare a report to the President.

If any part of these reporting procedures is declared invalid, fallback procedures, using a temporary joint committee on deficit reduction, would apply.

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2. The Sequestration Amounts and Timetable

As noted above, the maximum deficit amount for FY 1986 would be \$171.9 billion. In January a "snapshot" would be taken of the FY 1986 deficit amounts by OMB and CBO. New economic forecasts would be used. The amount to be sequestered for FY 1986 would be determined by subtracting \$171.9 billion from the adjusted deficit amount and multiplying the result by 7/12s, with the further stipulation that the maximum sequestration would be \$20 billion on an annual basis. For this fiscal year only, sequestration would begin on March 1. Therefore, the 7/12 fraction is the number of months remaining in fiscal year 1986 divided by 12. In FY 1986 and FY 1991, sequestration would occur if the deficit exceeded the target by any amount.

In FY 1987-90, sequestration would occur only if the deficit exceeded the target amount by at least \$10 billion.

The accelerated timetable for FY 1986 would be as follows:

January 10	The "snapshot" of the deficit for FY 1986 is taken
January 15	OMB and CBO report to GAO
January 20	GAO issues the report to the President, based on the findings of CBO and OMB
January 21	Congress convenes
February 1	The Presidential order is issued based on the GAO report
February 5	The President submits his FY 87 budget
<u>March 1</u>	The order takes effect

Any cost of living allowance (COLA) scheduled to take effect on January 1 would be deferred beginning January 1 under this plan. If it is later determined that a sequester order will not take effect, the COLA's would be restored retroactive to January 1.

The timetable for 1987 and beyond would be as follows:

August 15	The "snapshot" of the deficit is taken
August 20	OMB and CBO report to GAO
August 25	GAO issues the report to the President, based on the findings of OMB and CBO
September 1	The Presidential order is issued based on

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the GAO report

October 1	The order takes effect
October 5	OMB and CBO issue a revised report to reflect final congressional action
October 10	GAO issues a revised report to the President
October 15	The final order, based on the revised report, is effective
November 15	GAO Compliance report issued.

Under this timetable, the month of September would be set aside for a congressional response to the sequestration order.

3. The Presidential Order

The amount to be sequestered is split 50-50 between defense and non-defense to achieve the deficit reduction specified in the GAO report. The non-defense category would consist of the automatic spending increase programs, all non-defense controllable expenditures and half of the Federal retirement COLA's. The defense category would consist of all of budget function 050 and the remaining half of the Federal retirement COLA's.

The Presidential order must strictly adhere to the determinations set forth in the GAO report and must be consistent with that report. For discretionary programs, new budget authority would be reduced on a proportional basis to achieve the required outlay reductions.

The following would apply to defense:

For all years, the sequestration would be made at the program, project and activity (PPA) level. In the President's initial order issued on September 1 (February 1 in the case of FY 1986), budgetary resources (new budget authority plus unobligated balances) and outlays would be reduced at a uniform rate across all PPAs to the extent necessary, given the blended outlay rates for each PPA, to reach the defense outlay target for the year. Actual sequestrations could apply entirely to new BA or entirely to unobligated balances or to a combination of both.

These PPA blended outlay rates would be derived by CBO and OMB from data then available to them as supplemented by additional data from DOD. If the outlay rate for unobligated balances in any PPA were unavailable, CBO and OMB could use the outlay rate for new BA instead. The weighted average of these rates for each account would be compared to the historical account rates previously estimated by CBO and OMB, and the PPA rates could be adjusted by CBO and OMB or by GAO to the extent

necessary to make them consistent with the historical rates.

In the President's final order becoming effective on October 15 (March 1 in the case of 1986), he could reduce the amount of budgetary resources sequestered in any PPA and the corresponding outlay reduction, to the extent he was able to achieve the same outlay savings by termination or modification of contracts within that PPA. To take credit for this reduction,

- (i) The President would have to identify the contracts proposed to be so terminated or modified, together with the claimed outlay savings and reduction in obligated balances, no later than September 5 (January 15 in the case of 1986), and
- (ii) The outlay savings, and the reduction in obligated balances necessary to achieve them, would have to be verified by GAO no later than September 30 (February 15 in the case of 1986).

If GAO were unable to verify the savings for any contract, no credit could be taken. The President would also notify CBO, OMB, and the House and Senate Committees on Armed Services and Appropriations of his proposed terminations or modifications.

The following special defense flexibility rules would be established for FY 86:

- 1) except as provided in paragraph 2) below, any adjustments can only occur within an account.
- 2) the President may exempt all or any part of the military personnel PPAs from the uniform sequester percentage. The shortfall in outlay savings resulting from any such exemption would be made up by cuts in budgetary resources from non-exempt PPAs (both personnel and non-personnel). The President must make his decision on exemption of military personnel accounts on or before January 10.
- 3) Any non-personnel PPA may be reduced by an amount up to twice the total percentage sequester from such PPA and, to the extent of any such savings, any PPA in the same account may be increased up to its presequestration appropriated level.
- 4) Items identified as Congressional interest items may not be reduced by an amount larger than the total sequester percentage. Congressional interest items are defined as those PPAs that have been appropriated in the final Defense appropriation conference report for FY 86 at a level that is at least 110 percent of the President's request for that PPA.

5) No bases may be closed.

4. Treatment of Programs

Interest on the national debt and the Social Security program would be exempt from sequestration. Eight low-income programs would also be exempt: Medicaid, AFDC, WIC, SSI, Food Stamps, Child Nutrition, Veterans Compensation and Veterans Pensions.

Special rules would apply for: foster care and adoption assistance, unemployment compensation, child support enforcement, guaranteed student loans, and the Commodity Credit Corporation. A number of technical exemptions are also made.

A special procedure (known as category Ia) would also apply for the following health programs: Medicare, Veterans Health, Indian Health, Community Health and Migrant Health. These programs would be subject to a sequestration cut of 1 percent in FY 1986 and 2 percent in FY 1987 and thereafter. The reduction would be calculated after including any scheduled increases. If no increases are scheduled, there would be a reduction below the current level.

The reductions in the remaining non-defense programs must be sufficient to achieve 50 percent of the total sequestration amount.

5. Congressional Response

In the Senate, a procedure would be established to allow the Senate Budget Committee to affirm, in whole or in part, the sequestration order and provide for a congressional response using a reconciliation-type process involving both instructions to committees and the actual legislative language fulfilling the instruction.

6. Economic Conditions

Special procedures would be established to allow the Congress to suspend certain provisions of the Act in the event of a recession. This recession escape clause would be triggered, by a CBO notification to the Congress under either of the following circumstances:

- o CBO or OMB forecast or estimate that real economic growth will be less than zero in any two consecutive quarters during the six quarter period beginning in the quarter prior to the CBO notice; or
- o Department of Commerce reports that actual real economic growth for any two consecutive quarters is less than one percent.

If either of these circumstances exist, the Majority Leader of each House would be required to introduce a joint resolution suspending the relevant provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 for the remainder of the fiscal year and for the following fiscal year.

The Act specifies the content of the joint resolution and provides that the resolution be referred to the respective Budget Committees. Within 5 days, the Budget Committees must report the resolution without amendment to the respective Houses or be discharged. The resolution would be considered under expedited procedure in both chambers and would not be subject to amendment.

7. Constitutional Issues

Both the House amendment language pertaining to nonseverability and the Senate amendment language pertaining to severability would be deleted.

Expedited judicial review would be provided for Members of Congress seeking anticipatory review of the reporting procedure and the constitutionality of the Act, or questioning Presidential compliance with sequestration procedures. Also, the legislation provides expedited review for Members of Congress and adversely affected citizens challenging the constitutionality of the Act upon the issuance of a sequestration order.

If the President employs a claimed constitutional prerogative not to comply with sequestration procedures, the entire order would be null and void upon a Supreme Court finding that the President's action was valid.

The legislation would also provide for a fallback procedure in the event that any part of the OMB/CBO/GAO reporting procedure is found unconstitutional. Under these circumstances, the OMB/CBO report would be transmitted to a temporary joint committee on deficit reduction, composed of the members of the House and Senate Budget Committees. The joint committee would report a joint resolution which could then trigger sequestration if enacted. Expedited consideration in both Houses would be provided.

8. Budget Act Procedures and Changes in Rules of the House and Senate

The legislation adopts many of the congressional budget reforms proposed in the 98th Congress by the Task Force on the Budget Process, the Committee on Rules, which is commonly called "the Beilenson Task Force" in reference to its Chairman. Specifically the legislation provides for an accelerated congressional and executive branch timetable, expands the application of the Budget Act to cover credit authority, includes off-budget programs in the congressional and executive budgets,

and streamlines the congressional budget process by providing for an annual budget resolution and by removing unnecessary obstacles to the consideration of authorization and appropriation bills.

The proposed congressional budget timetable is as follows:

<u>"On or before"</u>	<u>Action to be completed:</u>
First Monday after January 3* . .	President submits his budget.
February 15	Congressional Budget Office submits report to Budget Committees.
February 25	Committees submit views and estimates to Budget Committees.
April 1	Senate Budget Committee reports concurrent resolution on the budget.
April 15	Congress completes action on concurrent resolution on the budget.
May 15	Annual appropriation bills may be considered in the House.
June 10	House Appropriations Committee reports last annual appropriation bill.
June 15	Congress completes action on reconciliation legislation.
June 30	House completes action on annual appropriation bills.
October 1	Fiscal year begins.

* February 5 for fiscal year FY 87

MAJOR CHANGES IN THE BUDGET PROCESS:

- A new point of order would apply against a budget resolution, or amendments thereto, in excess of the maximum deficit level. (In the House to waive this point of order against a conference report would require 3/5th of members present and voting++).
- After May 15 appropriation bills may be considered in the

House.

- The May 15 reporting deadline for authorization bills is eliminated.
- Committees would be required to file 302(b) reports.
- In the House of Representatives, Section 302(a) allocations of new discretionary budget authority, new entitlement authority or credit authority would be binding and enforced by a new point of order. In the Senate Section 302(b) allocations of budget authority and outlays would be binding and enforced by a new point of order.

++ In the Senate all points of order created by this legislation would require an absolute 3/5th vote to waive.